



# WEINLANDER FITZHUGH

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& CONSULTANTS

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SHERIDAN TOWNSHIP  
CLARE COUNTY, MICHIGAN

FINANCIAL STATEMENTS  
MARCH 31, 2004

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GLADWIN AND WEST BRANCH

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May 12, 2004

## Independent Auditors' Report

Sheridan Township Board  
Sheridan Township  
Clare County, Michigan

We have audited the accompanying general purpose financial statements of Sheridan Township as of and for the year ended March 31, 2004. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 2, the general purpose financial statements referred to in the first paragraph do not include the financial statements of the General Fixed Assets Group of Accounts, which should be included to conform with U.S. generally accepted accounting principles. The amount that should be recorded in the General Fixed Assets Group of Accounts is not known.

In our opinion, except for the effects on the general purpose financial statements of the omission described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Sheridan Township, as of March 31, 2004 and the results of its operations for the year then ended in conformity with U.S. generally accepted accounting principles.

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SHERIDAN TOWNSHIP  
Combined Balance Sheet - All Fund Types  
March 31, 2004

	<u>Governmental Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Tax Fund</u>	
<u>ASSETS</u>			
Cash	\$ 248,660	\$ 13,558	\$ 262,218
Investments	285,000	0	285,000
Due from other funds	13,558	0	13,558
Special assessment receivable	<u>32,571</u>	<u>0</u>	<u>32,571</u>
Total Assets	<u>\$ 579,789</u>	<u>\$ 13,558</u>	<u>\$ 593,347</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts payable	\$ 555	\$ 0	\$ 555
Due to other funds	0	13,558	13,558
Deferred revenue	<u>32,571</u>	<u>0</u>	<u>32,571</u>
Total liabilities	<u>33,126</u>	<u>13,558</u>	<u>46,684</u>
<u>Fund Balances</u>			
Reserved for hall improvements	36,044	0	36,044
Unreserved and undesignated	<u>510,619</u>	<u>0</u>	<u>510,619</u>
Total fund balances	<u>546,663</u>	<u>0</u>	<u>546,663</u>
Total Liabilities and Fund Balances	<u>\$ 579,789</u>	<u>\$ 13,558</u>	<u>\$ 593,347</u>

See accompanying notes to financial statements.

SHERIDAN TOWNSHIP  
Combined Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual -  
General Fund  
For the Year Ended March 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
State shared revenues	\$ 0	\$ 111,330	\$ 111,330
Special assessments	0	10,232	10,232
Interest	0	7,483	7,483
Miscellaneous	0	3,388	3,388
Property taxes	0	3,168	3,168
Total revenues	<u>0</u>	<u>135,601</u>	<u>135,601</u>
<u>Expenditures</u>			
Current expenditures:			
General government	89,417	61,352	28,065
Public safety	26,690	19,403	7,287
Public service	3,000	1,620	1,380
Public works	57,000	6,600	50,400
Total expenditures	<u>176,107</u>	<u>88,975</u>	<u>87,132</u>
Excess of revenues over (under) expenditures	(176,107)	46,626	222,733
Fund Balance - Beginning	<u>500,037</u>	<u>500,037</u>	<u>0</u>
Fund Balance - Ending	<u>\$ 323,930</u>	<u>\$ 546,663</u>	<u>\$ 222,733</u>

See accompanying notes to financial statements.

**SHERIDAN TOWNSHIP**  
**Notes to Financial Statements**  
**For the Year Ended March 31, 2004**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Township of Sheridan (Township) was organized prior to 1900 under the provisions of a local Act of the County Board of Supervisors, under Section 2489 of 1897, as amended. The Township operates a township board form of government and provides the following services as authorized by its charter: public safety (fire protection), streets, public improvements, and general administrative services.

The accounting policies of Sheridan Township conform to U.S. generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

**A. Basis of Presentation**

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. Township resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds of the Township are as follows:

**1. Governmental Funds**

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be allocated for in another fund.

**2. Fiduciary Funds**

Trust Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, or other funds. Agency Funds are custodial in nature and do not involve measurement of results of operations.

**B. Basis of Accounting**

The financial activity of the Agency funds is limited to collection of amounts which are subsequently returned or paid to third parties and, accordingly, are limited to cash transactions. All governmental funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

1. Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on September 1 and February 14 with final collection date of February 28 before they are added to the County tax rolls.



SHERIDAN TOWNSHIP  
Notes to Financial Statements  
For the Year Ended March 31, 2004

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Total Column on Combined Statements**

Total columns on the Combined Statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position or results of operation in conformity with U.S. generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

**D. Use of Estimates**

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**E. Budgets and Budgetary Accounting**

In the general purpose financial statements, the Board's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Board for these budgetary funds were adopted to the functional level.

**NOTE 2 - OMITTED FUND**

General fixed assets purchased are recorded as expenditures in the General Fund at time of purchase. The Township has not maintained a complete record of its General Fixed Assets as required by U.S. generally accepted accounting principles. Accordingly, this fund has not been included in the financial statements.

**NOTE 3 – INTERFUND RECEIVABLE – PAYABLE**

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 13,558	\$ 0
Tax	0	13,558
	<u>\$ 13,558</u>	<u>\$ 13,558</u>

**SHERIDAN TOWNSHIP**  
**Notes to Financial Statements**  
**For the Year Ended March 31, 2004**

**NOTE 4 – CASH AND INVESTMENTS**

**Cash and Cash Equivalents**

Demand Deposits – At March 31, 2004, the carrying amount of the Township's deposits (checking and savings) was \$262,218 with a corresponding bank balance of \$260,377. The amount covered by the FDIC was \$100,000.

**Investments**

The Township has adopted a formal investment policy consistent with that authorized by Michigan Law. The Township can invest in bonds, securities, and other obligations of the United States or an instrumentality of the United States in which the principal; and interest is fully guaranteed by the United States, certificates of deposit, savings accounts, bankers' acceptances of United States banks, United States government of Federal agency obligation to repurchase agreements, money market mutual funds composed of investment vehicles that are permitted under state law for direct investment, and high-grade commercial paper, rated within the three highest grades by at least two national ratings services, the term to maturity may not be more than 270 days and no more that 50% of any fund may be invested in commercial paper at any time.

At March 31, 2004, the Township had \$285,000 in certificates of deposit The amount covered by the FDIC was \$255,000.

**NOTE 5 - FUND BALANCE RESERVATION**

The General Fund fund balance is reserved for remodeling purposes in the amount of \$36,044.



## REPORT ON OTHER DATA

May 12, 2004

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The other data listed in the index is not a required part of the general purpose financial statements of Sheridan Township. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

*Weinlander Litzhugh*

SHERIDAN TOWNSHIP  
General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Year Ended March 31, 2004

Revenues

State shared revenues	\$ 111,330
Special assessments	10,232
Interest	7,483
Miscellaneous	3,388
Property taxes	3,168
Total revenues	<u>135,601</u>

Expenditures

General government

Township Board:

Trustee salaries	2,166
Township share - payroll taxes	1,669
Insurance	2,286
Supplies	4,025
Professional fees	500
Miscellaneous	1,174
Total township board	<u>11,820</u>

Supervisor:

Salary	5,837
Supplies	627
Total supervisor	<u>6,464</u>

Clerk:

Wages	5,895
Supplies	542
Total clerk	<u>6,437</u>

Treasurer:

Wages	7,287
Supplies	2,176
Total treasurer	<u>9,463</u>

Board of Review:

Fees and per diem	<u>947</u>
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Assessor:

Contract fees	6,665
Supplies	2,387
Total assessor	<u>9,052</u>

Township Hall and Grounds:

Wages	359
Utilities	851
Hall and grounds repair and maintenance	1,647
Total township hall and grounds	<u>2,857</u>

SHERIDAN TOWNSHIP  
General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Year Ended March 31, 2004

Expenditures (Continued)

Cemetery:	
Repairs and maintenance	\$ 342
Capital outlay	<u>13,970</u>
Total cemetery	<u>14,312</u>
<u>Public safety</u>	
Fire protection	<u>19,403</u>
<u>Public service</u>	
Library	<u>1,620</u>
<u>Public works</u>	
Highways and streets	<u>6,600</u>
Total expenditures	<u>88,975</u>
Excess of revenues over expenditures	46,626
Fund Balance - Beginning	<u>500,037</u>
Fund Balance - Ending	<u>\$ 546,663</u>

SHERIDAN TOWNSHIP  
Statement of Changes in Assets and  
Liabilities - Current Tax Fund  
For the Year Ended March 31, 2004

	<u>Balance</u> <u>April 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>March 31, 2004</u>
<u>ASSETS</u>				
Cash	\$ 0	\$ 517,114	\$ 503,556	\$ 13,558
<u>LIABILITIES</u>				
Due to other funds	\$ 0	\$ 13,558	\$ 0	\$ 13,558
Due to other governmental units	0	503,556	503,556	0
Total Liabilities	\$ 0	\$ 517,114	\$ 503,556	\$ 13,558



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May 12, 2004

To the Township Board  
Sheridan Township  
Clare County, Michigan

This letter is intended to inform the Township Board about significant matters related to the conduct of the annual audit so it can appropriately discharge its oversight responsibility and that we comply with our professional responsibilities to the Township Board.

The following summarizes various matters which must be communicated to you under U.S. generally accepted auditing principles.

## **The Auditor's Responsibility Under U.S. generally accepted auditing principles**

Our audit of the financial statements of Sheridan Township for the year ended March 31, 2004 was conducted in accordance with U.S. generally accepted auditing principles. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe our audit accomplished that objective.

## **Management Judgments and Accounting Estimates**

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

## **Audit Adjustments**

There were a number audit adjustments made to the original trial balance presented to us to begin our audit. Of the adjustments that were recorded, the adjustments to cash, in our judgment, either individually or in the aggregate, have a significant effect on the Township's financial reporting process.

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Sheridan Township  
May 12, 2004  
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## **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies adopted by the Township Board are described in Footnote 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

## **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

## **Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the Township Board or a determination of the type of auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us so as to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in the performance of our audit.

## **Other Matters**

### *New Financial Reporting Model*

Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments" was recently released. The Statement establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will create new information and will restructure much of the information that governments have presented in the past. The GASB developed the new requirements to make annual reports more comprehensive and easier to understand and use. We've highlighted some of the major changes below for your information.



# WEINLANDER FITZHUGH

Sheridan Township

May 12, 2004

Page 3

The Statement requires governments to continue to present financial statements that provide information about funds; however, governments will now be required to report information about their most important, or "major" funds. Additionally, governments will be required to continue to provide budgetary comparison information in their annual reports; however, added to that comparison will be the *original* budget.

Also required by the Statement is management's discussion and analysis (referred to as MD&A). For the first time, financial managers will be asked to share their insights in a required MD&A by giving readers an objective and easily readable analysis of the government's *financial* performance for the year. This analysis should also provide users with the information they need to help them assess whether the government's financial position has improved or deteriorated as a result of the year's operations. The use of account groups, namely the General Fixed Asset Account Group and the General Long-Term Debt Account Group, will be discontinued. Capital assets and long-term debt will be reported with the other assets and liabilities of the governmental unit in a required "Statement of Net Assets". Capital assets will now be depreciated with depreciation expense reported in a required "Statement of Activities".

The requirements of this Statement are effective in three phases based on a government's total annual revenue in the first fiscal year ending after June 15, 1999. Based on the financial results of the Township for the year ended March 31, 2000, Sheridan Township would be required to implement the new reporting model for the year ended March 31, 2006.

## Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to be of service to Sheridan Township.

This report is intended solely for the information and use of the Township Board and management and is not intended to be and should not be used by anyone other than the specified parties.

WEINLANDER FITZHUGH